BRITISH COLUMBIA UTILITIES COMMISSION

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
F2020 TO F2021 REVENUE REQUIREMENTS APPLICATION – PROJECT NO. 1598990

INFORMATION REQUEST ON THE EVIDENTIARY UPDATE TO BC HYDRO FROM MoveUP

TOPIC: EXHIBIT B-11, EVIDENTIARY UPDATE (PUBLIC) APPENDIX C, UPDATED COST OF ENERGY FORECAST

5.0 Dry Conditions – Impact of Reduced IPP Energy Deliveries on Cost of Energy

Reference: Ex B-11 Evidentiary Update Appendix C

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One of the drivers of the change in BC Hydro's Cost of Energy forecast is the continuing dry conditions from fiscal 2019 through to fiscal 2020, with low reservoir levels recorded at the end of fiscal 2019 and a reduction in the water supply forecast for fiscal 2020. These dry conditions impact hydro facilities owned by Independent Power Producers (IPPs), as well as facilities owned by BC Hydro. This results in higher cost of Market Energy, with market electricity purchases forecast to increase and surplus sales forecast to decrease. The forecast increase in cost of Market Energy is mitigated by a decrease in costs for IPPs and Long-Term commitments and Water Rentals. Further information is provided in the sections below.

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Total costs for IPPs and Long-Term Commitments are forecast to be XXXXXX million in fiscal 2020 and XXXXXX million in fiscal 2021. This represents a decrease of XXXXX million in fiscal 2020 and XXXXX million in fiscal 2021, compared to the forecast in the Application. This reduction is due to a number of factors, such as:

- **A change in accounting treatment under IFRS 16 (capital leases) for two Electricity Purchase Agreements not previously identified as capital leases (please refer to Appendix F for further discussion on the adoption of IFRS 16 and its implications);**
- **Lower forecast inflows for hydro IPPs due to dry weather conditions, as described above;**
- **Updates to historical average deliveries to incorporate the fiscal 2019 actual**

deliveries for operating projects, which resulted in a lower IPP forecast compared to the Application; and

● Delays in projects reaching commercial operation.

1.3 Cost of Market Energy

Cost of Market Energy is forecast to increase by XXXXX million in fiscal 2020 and XXXX million in fiscal 2021, compared to the Application. As discussed above, dry weather conditions during the winter of fiscal 2019 have continued into fiscal 2020, increasing the potential need for market electricity purchases and decreasing surplus sales and domestic transmission costs.

Request:

5.1 Please confirm that under current conditions, a reduction in energy deliveries pursuant to energy purchase agreements with IPPs, caused by dry conditions, is a factor that reduces BC Hydro's total cost of energy. If not confirmed, please explain.

5.1.1 Please confirm that the dry conditions have resulted in a net decrease in BC Hydro's forecast cost of energy in spite of the associated "higher cost of market energy." If not confirmed, please explain.

5.1.2 Please confirm that the net result "with market electricity purchases forecast to increase and surplus sales forecast to decrease" is a reduction in BC Hydro's forecast cost of energy. If not confirmed, please explain.

5.2 Please confirm that reduced deliveries from IPPs mitigate BC Hydro's energy surplus, including the resultant financial losses from the re-sale of the surplus IPP energy on the electricity market, and also due to BC Hydro's increased ability to rely on incremental market purchases, where needed, instead of reliance on IPP deliveries. If not confirmed, please explain.

5.3 Please confirm that the factors that influence this dynamic include BC Hydro's load and load characteristics, the price of IPP-sourced electricity, and market prices and conditions. If not confirmed, please explain. Please discuss other factors that contribute to this effect.

5.4 Does BC Hydro anticipate that the dynamic where dry conditions would mitigate BC Hydro's cost of energy will persist through the proposed test period? (Note: this is not about whether Hydro expects continuing dry conditions, but rather whether recurring dry conditions would continue to produce net reductions in the cost of energy). If not, please explain. In particular, please explain the basis for BC Hydro's proposal that rates be reduced by 0.99% through the 2021 fiscal year.

5.5 What is BC Hydro's best estimate of the time-frame when this dynamic will cease to operate?